ACCESSIBILITY, TRANSACTION COSTS AND THE TAKE-UP OF MORTGAGE ASSISTANCE FOR DISTRESSED HOMEOWNERS

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Motivating Question

- Why aren't more qualified homeowners enrolling in foreclosure mitigation assistance?
  - HAMP
  - NFMC
  - Hardest Hit Fund
    - $7.6 Billion Allocation
    - $1.3 Billion Spent
    - 110,000 Participants through Q1 2013
      - 43,000 Participants through first 18 months
      - ~280,000 Applicants

Public Perception

- "Mortgage Programs Target Many, Help Few" Fox Business, May 2012

- "Audit Faults Execution of Program to Aid Homeowners" LA Times, April 2012

- "Hardest Hit Fund Least Effective Among Sea of Disappointing Housing Programs" Huffington Post, July 2012

- "The Foreclosure Fiasco" New York Times, January 2013

  - *"Pick a program – any program – that the Obama administration unveiled to help troubled homeowners over the past four years. Not one has amounted to a hill of beans."*
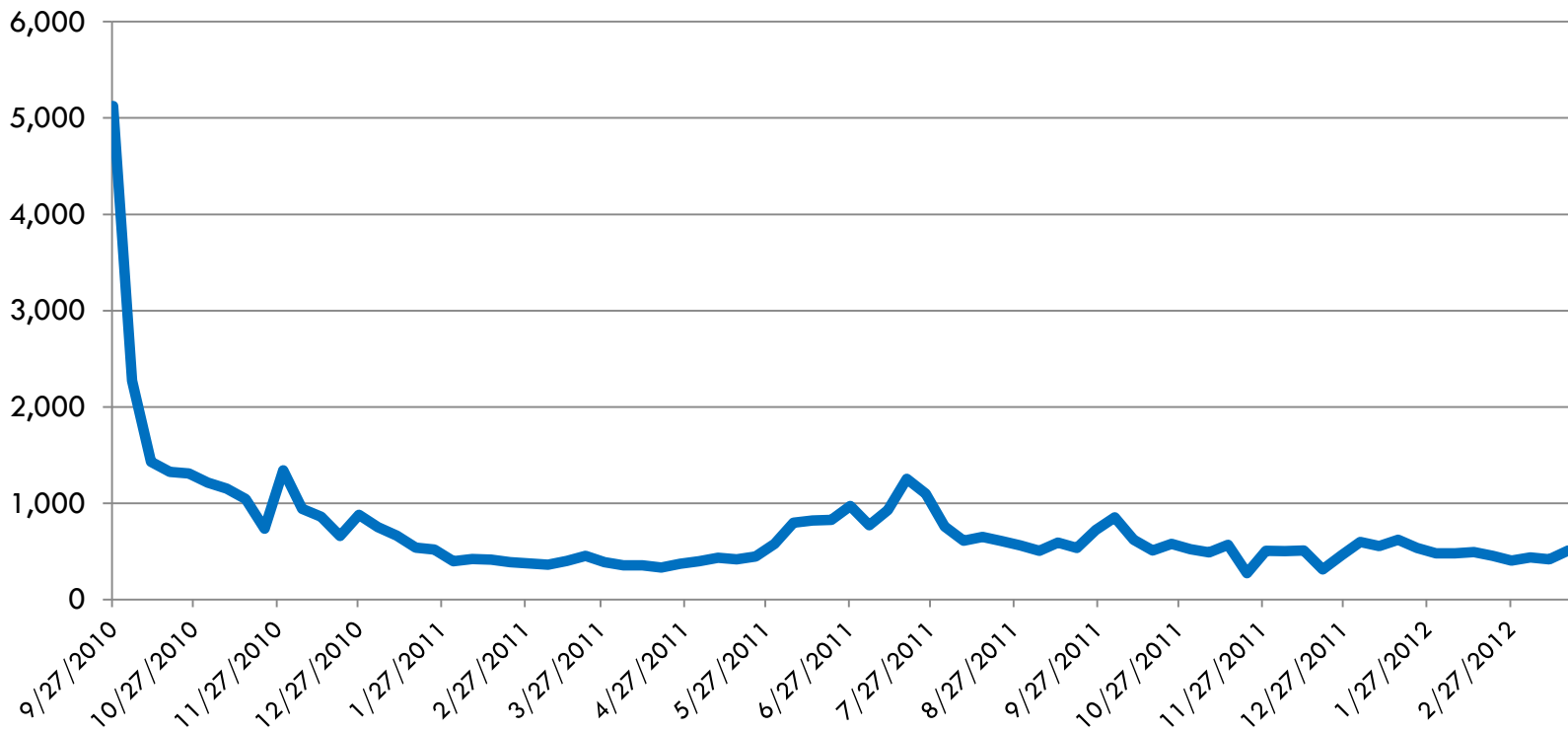
Restoring Stability

- Ohio Hardest Hit Fund
  - Unemployment Assistance
  - Loan Modification Assistance
  - Rescue Payments
  - Transition Assistance
- Launched September 2010
- $570 million allocation for 5 years
- 63,000 expected beneficiaries

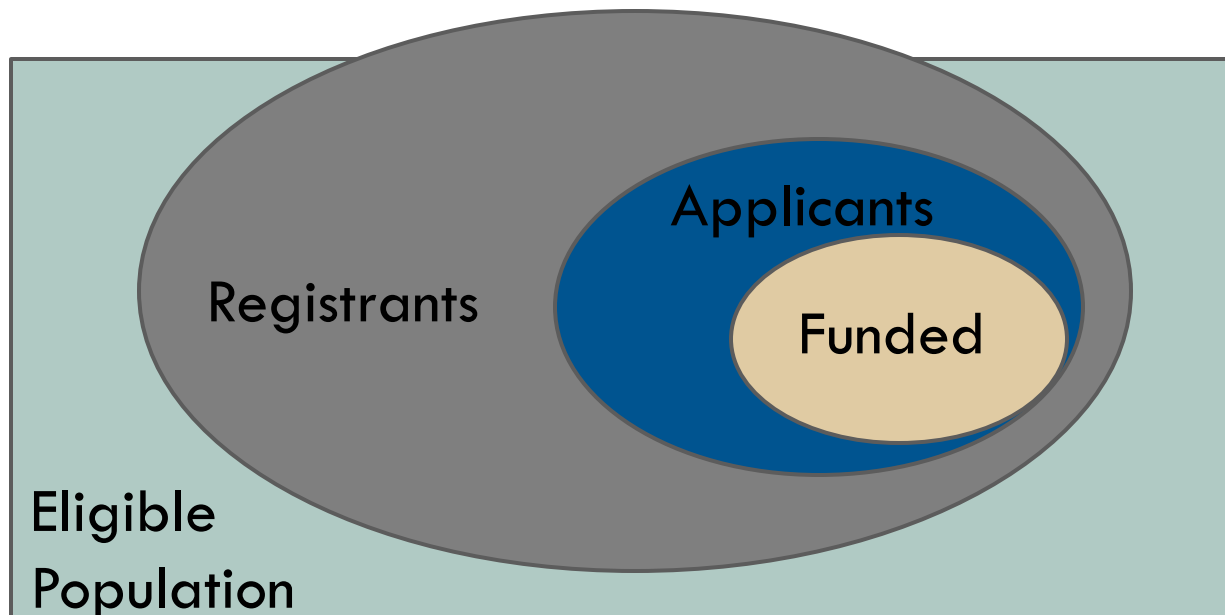# Restoring Stability – Initial Results

□ Strong interest at launch

Number of New Registrations by Week – Sept. 2010-March 2012

Restoring Stability – Take-up

- 50,000 registrants in first 18 months
  - 33,000 met initial eligibility test
- 10,000 applicants
- 5,000 funded homeowners

Registrants

Applicants

Funded

Eligible
Population

Take-Up Literature

- Stigma (Moffitt 1983)

- Lack of Information (Daponte et al 1998)

- Transaction Costs (Curie 2004)
  - Paperwork
  - Time

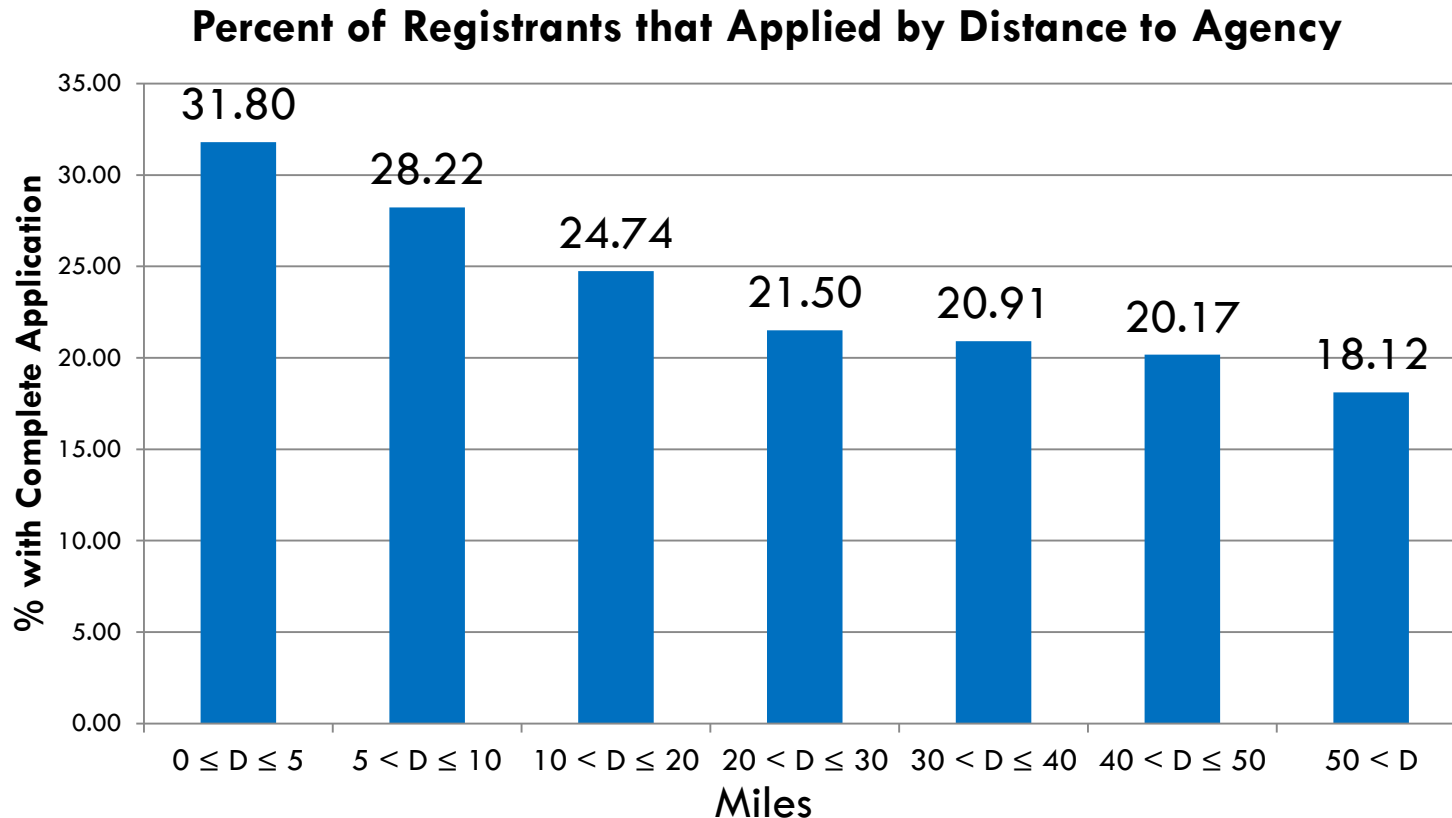# Conceptual Framework

- Heckman and Smith (2004)

- Conditional Probabilities
  - Eligibility
  - Awareness
  - Application
  - Acceptance
  - Enrollment

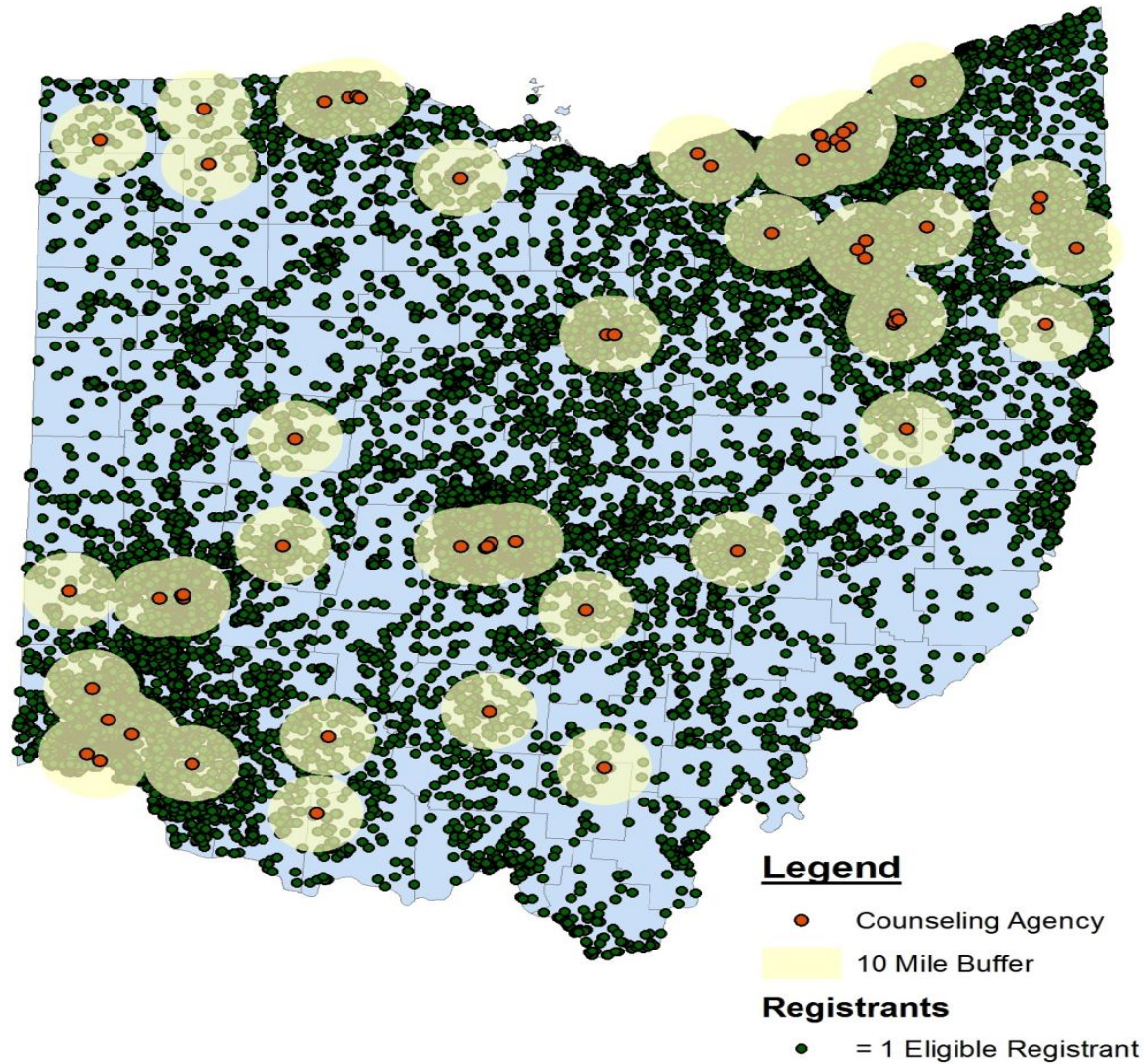# Research Question

□ Does geographical proximity to the intake agency increase the likelihood of application?

Percent of Registrants that Applied by Distance to Agency

Data

Legend

● Counseling Agency

◻ 10 Mile Buffer

Registrants

● = 1 Eligible Registrant

Empirical Design

Probability($Complete_i = 1$) = F(Distance, Mortgage, Unemployment, Demographics, Financial Status, Program of Interest)

Pr($Complete_i = 1$) = Probability that <u>eligible</u> registrant i submits a complete Restoring Stability application

$Distance_i$ = Additive inverse of Euclidean distance in miles between registrant's home address and the address of their assigned counseling agency

Results

	Full Sample
Distance to Agency	1.009
Monthly Mortgage Payment	0.873
Unemployed	1.340
Minority	1.173
Female	0.966
Above HS Education	1.094
"Big Four" Lender	1.048
Current on Mortgage	0.513
Active Bankruptcy	0.534
Foreclosure Notice	0.815
Loan Modified in Last 6 Mo.	0.905
Weeks since Program Launch	1.032
Age	1.039
Interest – Loan Mod	1.049
Interest – Mortgage Assistance	1.519
Current X Unemployed	1.653
N	21,104

- Binary Logistic Regression
- Odds-Ratios Presented

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N	21,104

Gold Shading = Positive & Significant

Blue Shading = Negative & Significant

Results

	Full Sample	Urban	Rural
Distance to Agency	1.009	1.009	1.011
Monthly Mortgage Payment	0.873	0.855	1.109
Unemployed	1.340	1.396	0.979
Minority	1.173	1.202	0.942
Female	0.966	0.974	0.910
Above HS Education	1.094	1.083	1.199
"Big Four" Lender	1.048	1.055	1.001
Current on Mortgage	0.513	0.532	0.401
Active Bankruptcy	0.534	0.511	0.734
Foreclosure Notice	0.815	0.811	0.839
Loan Modified in Last 6 Mo.	0.905	0.900	0.939
Weeks since Program Launch	1.032	1.034	1.024
Age	1.039	1.040	1.029
Interest – Loan Mod	1.049	1.035	1.265
Interest – Mortgage Assistance	1.519	1.547	1.416
Current X Unemployed	1.653	1.632	1.785
N	21,104	18,453	2,651

Probability of Application

All Other Predictors Held at Their Mean
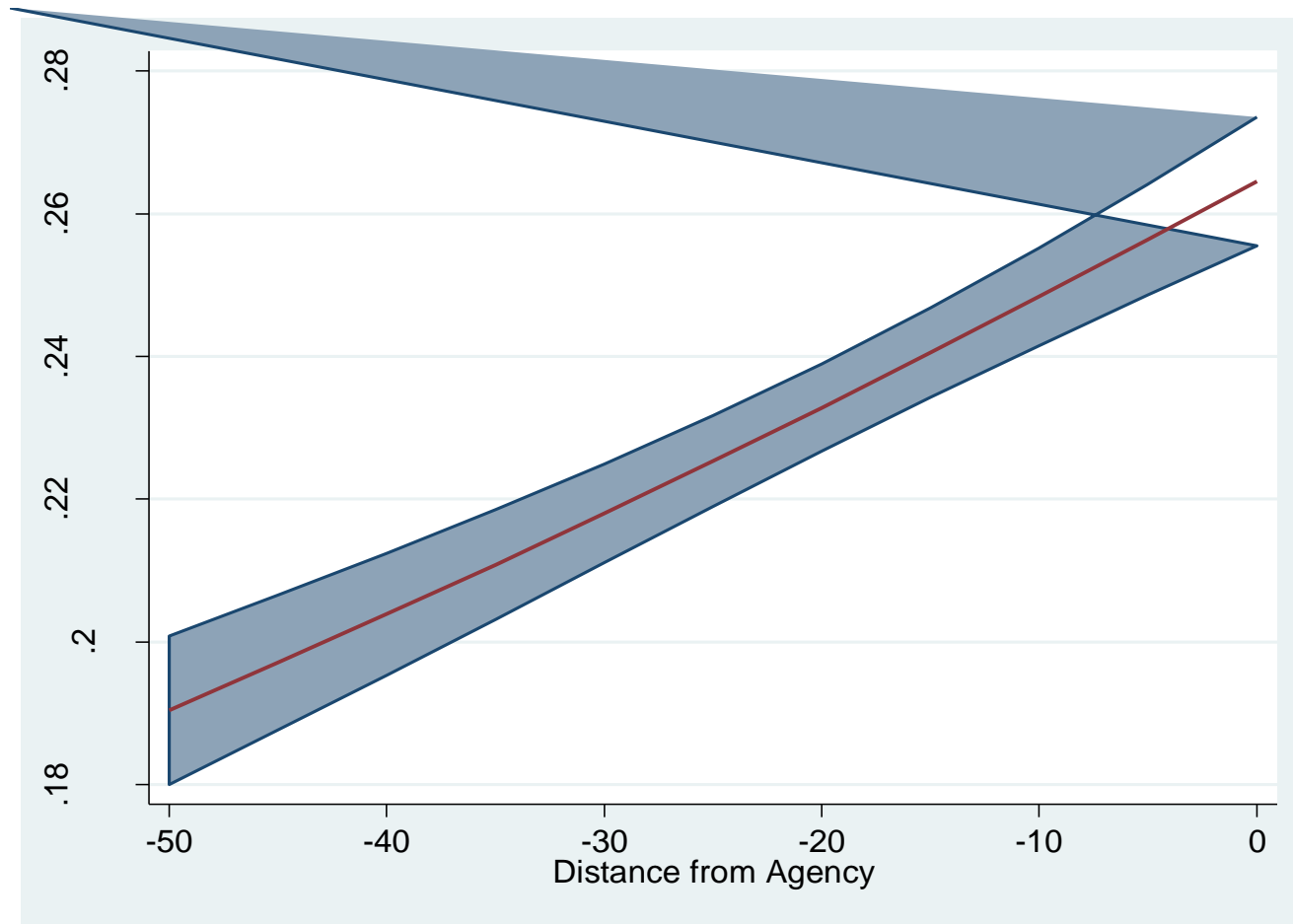
Discussion

- Access matters

- Cost-benefit calculation

- Alternative service delivery methods

- Program objectives
  - Effectiveness vs. Oversight

Discussion

- Limitations
  - Self reported data
  - Depth of awareness
  - Role of administrators
    - Administrative burden

Next Steps

- Awareness/marketing effectiveness

- The role of counselors

- Other applications of take-up focus

- Evaluation of HHF
  - Labor impact